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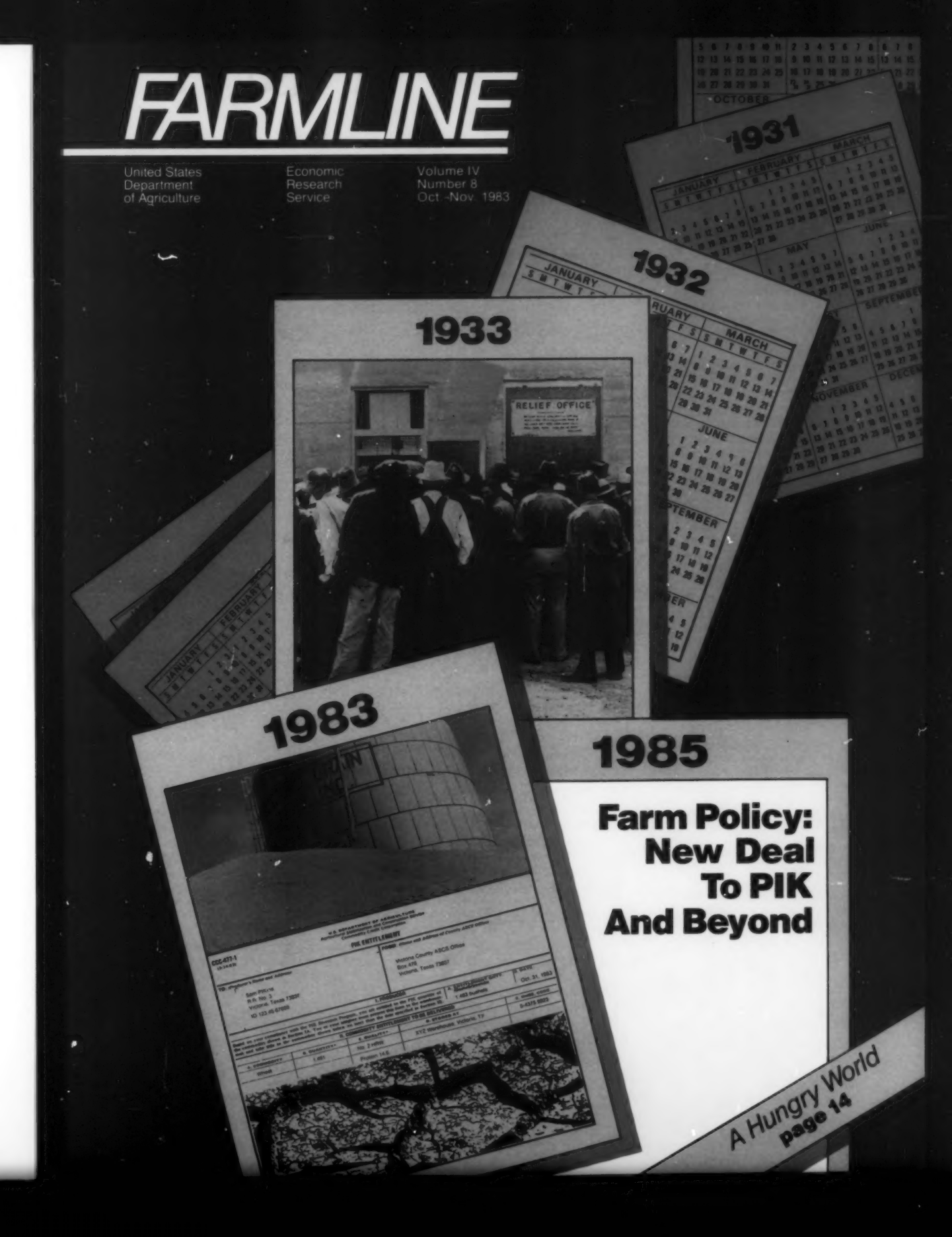

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PERSPECTIVES

RENEWED GROWTH OF THE WORLD FOOD MARKET IS BEING THREATENED by world recession, trade barriers, and trade confrontations. That concern comes from USDA economist Patrick O'Brien, who is also the author of this month's lead article on U.S. farm policy. His remarks on the world market, however, fit into a broader context: the economic and agricultural policies of many nations, the future of trade, and the enduring problem of world hunger.

Simply stated, the choices facing exporting and importing nations alike may be these: accepting the internal costs of adjusting to world interdependence in both up and down markets; or yielding further to pressures for protectionism, self-sufficiency, and isolationism. If too many nations choose the latter path, it could reverse past progress in meeting basic human needs around the globe.

The emergence and expansion of a world food market is responsible for much of the past progress. The volume of world farm trade quadrupled from 1950 to 1980. This rapid growth in trade made possible equally unprecedented gains in agricultural production and consumption—and declining real prices. Adjusted for inflation, prices for grain and most other food products fell in 25 of the last 30 years.

The countries that participated most in the world market reaped the benefits—increased stability in food supplies and higher per capita consumption levels, as well as higher farm returns in exporting countries and lower food prices in importing countries. Two-fifths of the world gain in per capita consumption since World War II appears to be directly related to trade growth. Although the greatest consumption gains occurred in Western Europe and Japan, big gains were also achieved in the less developed countries, despite a doubling in population. In the 1970's, especially, a growing world economy, easy credit, and a weakening dollar allowed many poorer nations to buy into the world market.

Then came the economic reversals of the early 1980's. Importers cut back on imports, while exporters looked to increased trade as a panacea for excess productive capacity. When world markets are expanding, the costs of adjustment are relatively low and pressures to maintain open markets are strong. When growth slows or the market shrinks, however, the costs of adjustment rise and new policy pressures emerge for insulating domestic sectors from outside competition.

The trade policies of the major importers and exporters have already shifted markedly toward solving national problems at the expense of international problems and cordial relations among nations. Meanwhile, those nations with the greatest needs and the least economic clout are closed off from market participation, adding to market instability. An increasingly unstable world market, O'Brien says, could well generate as strong a move away from interdependence as the 1950-1980 period generated toward trade expansion.

Many of the problems should be alleviated as economic recovery takes hold and the countries that have been forced to limit or rule out participation in trade can re-enter the world market. The danger is the lingering impact of increased trade barriers and trade confrontations, and the loss in market growth momentum. These developments threaten world market expansion, which has brought gains in production and consumption, declining real food prices, and increased market participation. Hundreds of millions of chronically malnourished people now lack the buying power to participate in world markets, despite large world food surpluses (see hunger article on page 14).

O'Brien concludes on a mixed note: "Successfully weathered, current global economic and policy pressures could result in a stronger world market that plays an even more important role in meeting world food needs. If they are unresolved, however, they could mean a weakening of the market and reversals in the food situation—a development that would leave no winners, only losers."

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AGRICULTURE . . . NATURAL RESOURCES . . . RURAL DEVELOPMENT
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Acreage control was only one of many farm programs enacted in the turbulent 1930's. Virtually all of them, or their offspring, are still at work today. Here are highlights of some hard-hitting comments by a USDA historian and three noted economists. Their subject: the New Deal origins of current farm programs and the obstacles to fundamental change.

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Traditionally, women have faced a higher unemployment rate than men, but this pattern was abruptly broken last year. So, in the last few years, was another pattern—lower unemployment rates in nonmetro areas than in metro areas. Are these temporary abnormalities brought on by recession, or are they signs of fundamental change?

Hungry Nations in a World of Plenty *by Doug Martinez* 14

Despite record world food supplies, many of the poorest nations face "food deficits" in the year ahead—unable to produce or purchase enough food on their own. Without increased food aid, at least 50 of them won't even be able to match their low consumption levels of the past year.

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Farm Policy: Where Do We Go From Here?

Although passage of a new farm bill is not due until 1985, the debate on the direction of future farm policy is well underway. The subject has been the focus of Congressional hearings, academic seminars, and government-industry summits.

Spanning philosophical and other differences is wide agreement that the costs of many farm programs have gotten out of hand and that they may not be serving agriculture's long-term interests in the areas of efficiency and competitiveness.

Earlier this year, Agriculture Secretary John Block urged broad, national participation in a "farm policy dialogue." Such a dialogue, it was said, could have a profound influence on the 1985 farm bill, which will shape farm policy to the end of the decade.

Since that meeting, the 1983 drought—in combination with PIK—has dramatically altered the agricultural setting. It has shifted the focus from large crop surpluses to sharply reduced harvests and relatively tight supplies.

This complete turnabout seems to have drained some of the momentum out of the policy debate. Indications that large-scale acreage reduction programs might have to be extended to 1984 and 1985 crops are mostly forgotten. Farm program costs will be reduced next year as higher crop prices cut government deficiency payments. Impatience with weak crop prices and rising program costs has given way to calls for increased disaster relief for farmers and concerns about higher livestock feed costs and food prices.

As much as the immediate situation has changed, however, it should not divert our attention away from the longer term policy issues, according to analysts. These issues, they say, are crucial to agriculture's future. One serious criticism of policymaking is that it is too heavily influenced by the often temporary circumstances at hand. It happened, perhaps, in the 1981 farm bill, and it could happen again.

Some analysts go further, suggesting that virtually all of our present farm policy problems are a legacy from the past, while U.S. agriculture must operate in a substantially changed domestic and international environment. It would be a mistake, they contend, to continue relying on short-term policy corrections or weather's uncertain agenda.

Rather, they say, the nation must identify the fundamental, long-term changes in direction needed to move U.S. agriculture—and a considerable portion of the rest of the economy dependent on agriculture—back toward prosperity in the years ahead.

This article, USDA economist Patrick O'Brien collaborates with other Economic Research Service analysts to review some of the past policy decisions and current policy issues. The article that begins on page 7 traces the New Deal origins of today's farm programs through the words of USDA historian Wayne Rasmussen and three noted economists outside government.

One of the major shortcomings of U.S. agricultural policy over the last decade has been the tendency to tailor legislation to meet current farm sector needs or an often narrowly conceived notion of future needs.

Allowing longer term policy to be dictated by a current, generally short-lived perspective on the outlook is full of risks. The long-term impact may be substantially different from the intended short-term results.

Just as important has been the failure to build into farm programs the greater flexibility needed to deal effectively with increasing farm sector instability.

There are few examples of these two shortcomings as dramatic as the 1981 farm bill. The bill was originally designed to continue the move toward a more market-oriented agriculture. However, because of major changes in the market setting since 1981, it resulted in the largest scale government intervention in agriculture on record.

How could this happen?

The impressive growth in U.S. exports over the 1970's shaped the thinking that went into the 1981 Agriculture and Food Act. The idled acreage of the 1960's had been brought back into production during the 1970's, and farm policy was generally geared toward expansion.

The major concern to many policymakers was not food surpluses but shortages. Many observers were raising serious questions about agriculture's capacity to keep up with the world's growing population and appetite. These concerns were reinforced by the severe 1980 drought which substantially reduced U.S. crop production. Oil shortages also tended to focus attention on limitations in natural resources, including the land necessary to produce food.

Harbinger of Things To Come?

The experience of the 1970's was taken as a harbinger of things to come. Expectations of continued high levels of inflation, a weak dollar, and rising oil prices gave credence to forecasts of strong export demand, rising production costs, and the need for full production in the years ahead.

At the time, it seemed reasonable to take the likely increases in the costs of producing farm products into account by raising the safety net of loan rates and target prices for farmers. As a result, the 1981 Act called for annual increases of 4 to 5 percent in target prices and raised minimum loan rates for each of the next 4 years.

Yes, there was some concern about the impact of higher support levels on our competitive position in the world market. But open-market prices appeared quite likely to increase even faster than the farm bill's support levels. Inflation was running at two to three times the rate of the target price increases, and production costs were rising almost as rapidly.

Moreover, it was generally assumed that only the United States had the ability to satisfy continued expansion in global demand.

Although occasional years of excess supplies couldn't be ruled out, there were two safety valves: a farmer-owned grain reserve to take temporary surpluses off the market and the Secretary's authority to use acreage set-asides as a short-term supply management tool.

This was the situation less than 3 years ago, and essentially no one was prepared for the combination of events that began unfolding in 1981.

The Assumptions Collapse

After the steady climb in U.S. exports throughout the 1970's, it's not surprising that analysts failed to forecast declining exports.

High price supports indexed us out of world markets, while encouraging an increase in foreign production.

Most of the root causes of the reversals experienced in the export market over the last 24 months were unexpected: the worst worldwide recession since 1929; a surge in interest rates and the value of the dollar; near bankruptcy in several debt-ridden middle income countries; the lingering effects of the Soviet grain embargo; and greater competition from the other exporters who refused to reduce their production and, in some cases, employed questionable trade practices to increase their market shares at our expense.

These weren't the only shocks. Domestically, a number of less dramatic but no less important developments were taking place. Inflation was reduced faster and more significantly than expected. Even oil prices weakened, and increases in farm production costs dropped off precipitously.

For many large, efficient producers, the combination of relatively stable production costs and legislated raises in loan rates and target prices provided a strong production stimulus—strong enough to overshadow weakening market prices. Despite 1982's set-aside and diversion programs, both corn and wheat production topped 1981's records.

These 2 years of bumper harvests back to back pushed U.S. supplies to new highs. With supplies climbing and demand stagnating, farm price supports held U.S. prices well above market-clearing levels in both domestic and export markets.

High and rising price supports, in effect, indexed us out of world markets at the same time that they worked—

through changing exchange rates—to boost foreign producers' production incentives and their returns from trading in dollar-denominated markets. As a result, the world's excess supplies of most farm products were concentrated in the United States.

Stopgap Measures

By the end of 1982, it appeared likely that U.S. grain stocks would reach 150 million metric tons at the end of the 1983/84 marketing year—roughly 60 percent of the world total and more than twice the stocks needed to meet normal carryover needs. The 1982 acreage reduction programs had not worked, and another approach was needed.

The PIK program was selected as a short-term, stopgap measure. The alternative appeared to be allowing commodity prices to weaken further, farm incomes to continue slipping, and government payments to the sector to continue at a $10-$15 billion level for the 3-4 years likely until the market turned around.

Yet the price, even for this stopgap measure, has been very high. During the 1970's, the cost of farm programs typically ranged between $3 and $4 billion a year. Costs reached $6 billion in 1981 and $12 billion in 1982. For the 1983 fiscal year, which ended on September 30, federal outlays probably exceeded $20 billion.

Together, the drought and the 1983 acreage reductions have taken us a long way toward reducing current stocks and government liabilities over the next 3-4 years. However, this will not solve the longer term problem.

The evidence suggests that U.S. agriculture's capacity to produce could well be more than adequate to meet the increased demand that will come with economic recovery here and abroad. This raises questions that should take us beyond present conditions of drought-caused price runups. Will the marketplace, without the help of drought, be able to generate the prices that were envisioned when lawmakers set loan rates and target prices in the 1981 Act?

U.S. farmers' capacity to produce may now be more than adequate to meet potential growth in demand.

Moreover, there appears to be little likelihood that the next several years will be any less volatile than the last 4 years. If so, the market setting could well shift as dramatically between short and surplus supplies as it shifted in the last few years.

Improving on the Record

If lawmakers are to improve on the record of the last several years, they will have to recognize that sudden and dramatic swings in market conditions cannot be ruled out. Weather is only one of a number of uncertainties that include economic developments here and abroad and foreign farm and trade policies.

To avoid or soften continuing shocks to our agricultural complex, policies will have to be flexible enough to deal with the full range of supply-demand imbalances that could confront us in the years ahead. Past experience with the shortcomings of long-term policies geared to short-term problems should alert us to the importance of greater flexibility.

Equally important, policymakers have to recognize that farm policy cannot move agriculture very far from the market mainstream without touching off self-correcting pressures. Agriculture has simply grown to be too large a sector of the economy and too closely integrated with the rest of the economy for policymakers to move commodity prices and producer incomes contrary to market forces—without substantial costs.

Farm policy can and must work to stabilize the sector from short-lived market extremes. But the cost of policies that move against market fundamentals for any serious length of time have to be carefully weighed against the intended benefits of such policies. The costs are measured not only in terms of government payments to agriculture, but also in terms of farm sector efficiency and competitiveness.

Similarly, if farm policy is required to serve several incompatible goals, it may end up not serving any of those goals effectively. If the goal, for example, is to promote efficiency and competitiveness of our farm sector, it cannot at the same time guarantee viability to farms that are not viable. This is not to say that social goals related to the alleviation of rural poverty need be subordinated to economic goals of efficiency and competitiveness. It is to say that income support programs need to be handled separately from farm programs.

The policy options faced by lawmakers are often expressed as two opposing extremes: large-scale management of the farm sector by government, with the sector insulated from the marketplace; or an open marketplace, with farmers responding to market signals, unprotected by government programs.

In reality, the debate we face ahead is likely to be one of which direction we want to move toward, rather than which extreme we adopt. Whatever the policy choices, they will entail costs, and in no case do farmers escape a major share of the adjustment burden. That's true with current programs just as it's true for new programs.

However, we have to recognize the risks inherent in continuing with farm programs and policies that were designed for a stable world—one where farmers were much more insulated both from the world market for their products and the rest of the economy here at home. □

The New Deal Legacy

"The present program for readjusting productive acreage to market requirements is admittedly but a temporary method of dealing with an emergency. It could not be relied upon as a permanent means of keeping farm production in line with market requirements."

Temporary, indeed. The man who spoke these words was Secretary of Agriculture Henry Wallace, nearly 50 years ago. Yet, except for modifications more of form than substance, this program is still in effect today, said historian Wayne Rasmussen of USDA's Economic Research Service.

Rasmussen's remarks came in a panel presentation during an August meeting of the American Agricultural Economics Association. The panel, commemorating the 50th anniversary of New Deal farm legislation, also featured comments by distinguished economists Harold Breimyer, Don Paarlberg, and Kenneth Farrell.

Acreage control, a fundamental change from prior policies, was but one of many farm programs enacted in the turbulent 1930's. And virtually all of them or their offspring are still at work today: federal crop insurance, farm credit, rural electrification, soil conservation, surplus food distribution, and the predecessors of the Farmers' Home Administration and the food stamp program.

Their broad scope, plus the fact they have mostly stayed under one department of government for administration, lent strongly to their survivability, Rasmussen said. In combination, they appealed to a highly diverse constituency, he explained.

But they were far from being a neat and tidy package when first conceived. It was pragmatism, not idealism, that guided the New Deal engineers of the agricultural programs in the 1930's, the panelists agreed.

Distress and Protest Movements

Listen to a description of the genesis of these programs by panelist Harold Breimyer, the University of Missouri's eminent agricultural economist. His comments may have been part recollection. When acreage controls and other programs for farmers were starting up, Breimyer was a fresh addition to USDA's new policymaking staff.

- ". . .farm and Congressional leaders were willing to gamble on an Agricultural Adjustment Act of 1933 because they were scared."

- ". . .distress and protest movements in the countryside had a lot to do with creating the New Deal's farm laws. . . . Despondency in the country was endemic. Farmers by the thousands were being forced off their lands. Foreclosure sales were being stopped by violence."

The New Deal's laws did change attitudes, Breimyer said. "The atmosphere was confident, activist, upbeat. Much of the public was supportive. . . .Except for the Roosevelt-hating crowd. . .citizens had faith in their government and wanted it to act to relieve the misery. . . ."

When Breimyer first went to Washington in the Depression, Don Paarlberg was still working the family farm in northwestern Indiana. In 1932, Paarlberg reported his family's labor income as a negative $1,203. Ultimately, he was to become instrumental in USDA farm policy administration during the Eisenhower, Nixon, and Ford years. Looking back, panelist Paarlberg recalled the reaction to the New Deal farm programs:

"I remember well the revival of hope on the farm front that accompanied passage of these. . .programs," he said, agreeing with Breimyer. "Farmers were put on committees. . . .They elected officers, went to meetings, and spoke their minds. Government checks began to flow. On every hand was evidence that the government cared. . . .The programs were, in the early years, accompanied by better morale and some improvement in economic conditions on American farms."

A Shield from Economic Shocks

The new programs did a lot more than change attitudes for the better, according to panelist Kenneth Farrell, a former administrator of the Economic Research Service and now head of food and farm policy at Resources for the Future, in Washington. The programs, he said, also reduced farmers' uncertainties, altering the expectations about future technological developments and thus facilitating a remarkable burst of productivity.

". . .the programs shielded the farmer from a variety of economic shocks from which he had been unprotected, created more secure expectations of future income streams. . .and provided new sources of public information absent under conditions of private competitive interaction alone. . . .These developments were key contributions to rapid acceleration of agricultural productivity."

Earlier, from 1924 up to 1936, in fact, production efficiency of U.S. agriculture did not increase despite important improvements in tractor power, hybrid corn, and commercial fertilizers, Farrell noted.

A Time of Crisis

"The New Deal legislation resulted from a crisis in agriculture. It was a time of 5-cent cotton and 30-cent corn. Midwest farmers were nearer armed revolt than any group had been since the Whiskey Rebellion of 1794. The basic goal of New Deal legislation was to meet this crisis by preserving and strengthening the traditional structure of agriculture."

So said Wayne Rasmussen, ERS historian, speaking at the annual meeting of the American Agricultural Economics Association, Purdue University, August 1983.

Panelist Wayne Rasmussen: *Both major attempts to change the basic thrust of the price support and adjustment legislation failed.*

Panelist Don Paarlberg: *The programs continued after relief had been supplied, recovery achieved, and reform forgotten.*

Panelist Harold Breimyer: *For a great many farmers, commodity management does not provide much improvement in income.*

"From the founding of the Republic until 1933. . .productivity increased on the order of 75 percent," he said. In the following half-century, it has increased nearly 150 percent.

In essence, two new program features greatly helped farmers put to use the flow of new technology coming from the research establishment:

- Easy credit and willing lenders, seeing that the farmers' major crops got an assured price floor, financed the needed tractors and other new yield-raising farm supplies.
- A restriction on acreage, not marketings, encouraged farmers to plant only their best land to get as much output as possible.

A Whole New Direction

The New Deal meant a whole new direction in other respects just as fundamental as the change in attitudes and the leap in productivity.

Breimyer characterized the initiation of the farm programs in the 1930's as having one thing in common: "They were authorizations for farmers' collective action." Viewed initially as a means of "relief" for farmers, the simplest solution would have been to pay out money, he noted. But direct handouts were "anti-Puritan."

"Also, economists knew that demand for farm products was inelastic and that money spent to reduce output would multiply its income-benefits several fold," Breimyer said.

So when farmers were persuaded to reduce their acreage, institutional restructuring began, he concluded.

Paarlberg characterized the changes differently.

First, there was disagreement on the causes of the farm problem, with two major schools of thought. "One assessed the problem as general, resulting from the collapse of money and credit. The remedy. . .lay in a changed monetary policy," Paarlberg said.

"The other school diagnosed the farm problem as arising within agriculture itself, the result of surplus production. The remedy. . .consisted of reducing supplies so as to increase farm prices."

Was it overproduction?

"Agricultural production during the 5 first and worst years of the Depression, 1930-34, was actually 2 percent below the 5 preceding years," Paarlberg said.

Meanwhile, "Credit collapsed; the stock of money fell by more than one-third . . . prices fell for virtually all commodities, whether abundant or in short supply."

Although neither farmers nor politicians could understand the complexities of central banking, Paarlberg explained, they knew well that too much production meant low prices. Thus, they reasoned that low prices must be caused by excess production.

So the winning idea was that we reduce production, turn inward, and create an American farm price structure basically higher than in the rest of the world. "This could not be done through individual decision-making; it had to be done by government."

Relief, Recovery, and Reform

Paarlberg summarized three purposes

Breimyer's Dichotomies

Several institutional issues have been addressed in the design and execution of farm programs over the years since the New Deal started. University of Missouri agricultural economist Harold Breimyer framed some, as pairings of concepts, for his panel presentation:

—Choice between governmental involvement in the price discovery process, versus working through supply and demand forces. Farm policy has been grounded in the former, in what Breimyer calls "price determination," in contrast to "price discovery."

—Single versus multiple commodity orientation. Programs initially were commodity by commodity. The 1936 program, based on soil conservation, was less so. The Soil Bank of the 1950's incorporated the concept of overall surplus capacity, as did the set-asides of the 1970's. In the 1980's, we are back to single commodity programming.

—Voluntary versus mandatory acreage reduction. The cotton and tobacco people pressed for and got mandatory programs. But an effort in the Kennedy administration to put more mandatory teeth into a wheat program failed.

—Farmer marketing cooperatives as an instrument of commodity stabilization. Early enthusiasts thought they could become one. Co-ops have not been used much for the purpose.

—Farm relief versus supply management for an industry. The idea of helping farmers through commodity action prevailed until 1938, when for the first time the design of an acreage program, as then enacted into law, was related to anticipated use, carryover, and expected output under various price incentives and program restrictions.

Panelist Kenneth Farrell: *The time may now be ripe for a new round of institutional innovations.*

of the New Deal farm programs as *relief* of the then-desperate plight of the farmers, *recovery* of the economy, and *reform*—opening more land and opportunities to tenants and sharecroppers.

The results: "Relief was achieved, recovery occurred for whatever reason, and reform was miscarried," he claimed.

Even so, as Wayne Rasmussen reminded the panelists, only two major attempts have been made to change the basic thrust of the price support and adjustment legislation. Both failed. Congress was unwilling to adopt either: a program based on income standards, as proposed in 1949 by Secretary of Agriculture Charles Brannon; or substantially lower price supports, if not their elimination, as proposed by Secretary of Agriculture Ezra Benson in the 1950's.

With the passage of time, the programs, Paarlberg asserted, became:

• *Preferential* . . . only six "basic" crops, plus dairy products. The basic crops provided only about 20 percent of agriculture's income but received 75 percent of the program benefits, he said. Also, the top 1 percent of the farmers received 21 percent of the benefits, he said.

• *Profligate* . . . "When the outlay for commodity programs for a half dozen or so farm products approximates the net income not only from the protected crops but from the whole of agriculture, we would have to say the programs are profligate."

• *Perennial* . . . The programs have continued for 50 years. "They continued after relief had been supplied, recovery achieved, and reform forgotten. They held the umbrella for the cotton growers of Brazil, the wheat growers of Australia, the corn growers of Western Europe, and the tobacco growers of Africa," he said.

"The most vivid example of the long-run effect of reducing supply and increasing price," Paarlberg said, "is to be found for cotton."

U.S. cotton output in 1928-30 averaged 14.4 million bales a year, more than all the rest of the world combined. This year, with acreage reductions and weather problems, it's estimated at about 7.5 million bales, while foreign output is more than seven times as much. The program, he said, also encouraged competition from man-made fibers, almost nonexistent 50 years ago.

"Short-term, the cotton program has served to increase income of cotton growers. Long-term, it is bringing slow death to the industry."

During Bad Times, We Manage

Yet, remarking on the genesis and staying power of the supply management approach, Harold Breimyer noted: ". . . it comes into and goes out of political favor in cadence with the disappointment quotient in farmers' income—in counterpoint, of course. During bad times, we manage." He added, however, that "for a great many farmers, commodity management does not provide much improvement in income."

Another clear legacy of the New Deal, Kenneth Farrell said, is "the cumbersome administrative structures to which many current critics of agricultural policy point." In conclusion, he said, a variety of structural and distributional consequences suggest that, like the 1930's, "the time may now be ripe for a new round of institutional innovations."

However, Don Paarlberg concluded his remarks with a sense of foreboding that the programs will go on and on. Perhaps, 50 years from now, in a meeting to observe the 100th anniversary of the New Deal, some cautious soul will insist that programs to restrict production and increase prices are not yet ready for decisive evaluation. □

Repeating the Past

In his panel presentation, Don Paarlberg, professor emeritus of Purdue University, observed how present policies echo the past, but he also outlined the difficulties in changing course.

"During the recession of the last several years, we have seen, on a smaller scale, a re-enactment of the 50-year-old debate between those who believe agricultural distress is largely a phenomenon of money and credit and those who believe it is mostly the result of overproduction . . . .As during the 1930's, the last 2 years saw most of the blame. . .laid on supply."

Although it was the "least bad" of the alternatives available, he said, the PIK program reflects this historically one-sided approach to the farm problem. And what of the future, he asked. What comes after PIK?

"The logical thing, which is in the long-run interest of farmers themselves, is to reduce the levels of loans and target prices. . . .Loans, stock accumulations, and target prices, which have been a strait-jacket, could be converted to a safety net, protecting farm income during bad years. Release of stocks would occur in years of better prices. . . .The purpose should be to reduce the gyrations of supply, price, and income. . . and make us again competitive in domestic and foreign markets."

However, he sees major political obstacles to fundamental change, including the role of special interests in resisting change at the Congressional level and the strong, ingrained momentum of past policies.

Slowing and Growing: The Iran-Iraq Markets

Oil revenues continue to fuel the buying power of two fast-growing agricultural markets in the Middle East —Iraq and Iran—but the United States is not the chief beneficiary. Most of the petrodollars are being pumped into the economies of other suppliers.

That's particularly true in the case of Iran. The United States has seen its lucrative farm exports to Iran fall from nearly $500 million in 1978 to an estimated $3 million in fiscal 1983. Iraq, on the other hand, is quickly becoming a major market for American farmers as well as their foreign competitors. The total value of U.S. agricultural exports to Iraq is likely to reach $400 million in 1983, up from about $140 million in 1978.

Iran's political upheaval and subsequent seizure of the American Embassy hostages in 1979 put a lingering freeze into U.S.-Iranian relations that, in trade terms at least, has been devastating. Iran is a large market of 47 million, with a limited ability to produce its own food. The European Community countries, as well as Turkey, Australia, Thailand, Brazil, and Argentina, have benefited from the U.S.-Iran split.

"Iran's agricultural imports are rising because of a push by their leaders to provide subsidized food throughout the country," says John Parker, a Mideast specialist with USDA's Economic Research Service. "This year, Iran's farm imports are expected to increase about 10 percent to some $4.7 billion—double the value of imports when Iran's leader, Ayatollah Khomeini, came to power." Iran depends on imports for about 35 percent of its total food needs; about half of urban food needs are supplied from imports, Parker says.

Now the United States is looking for neighboring Iraq to pick up the trade slack caused by the loss of the Iranian market. Iraq has somewhat the same shopping list as Iran, buying wheat, rice, and corn, among other products. That may be where any agreement between the two countries ends. They are at war —and have been since 1979.

Iraq has become a major market for the United States, while a lucrative Iranian market has collapsed.

Heavy Losses

Although Iraq's early victories suggested a quick defeat of Iran, the war has stalled into an indecisive stalemate with heavy losses for both countries. Most of the fighting has been along the oil-rich strips of land adjacent to each other's border.

Iraq has suffered the greater economic casualties from the war. Its oil exports dropped from $26 billion in 1980 to only $10 billion in 1982. Just as it targets Iranian pipelines and refineries in its gunsights, Iraq has seen its own installations suffer from Iranian barrages. Consequently, Iraq's oil-pumping capacity has fallen from 2½ million barrels a day to 750,000 barrels, says Parker.

"Iran has three times more people, more skilled technicians, and larger financial resources than Iraq. Unlike Iraq, most of its oil fields are somewhat removed from the war zone. In short, it's in a better position to continue meeting its domestic needs by buying food on the world market."

U.S. Sales to Iraq Grow, While Iran Turns Elsewhere

U.S. agricultural export value[1]	1978	1980	1983[2]
		$millions	
Iraq	$139	$255	$400
Iran	$493	$8	$3
U.S. agricultural market share[1]	**1978**	**1980**	**1983[2]**
Iraq	13.4%	12.9%	12.1%
Iran	20.0%	0.3%	0.1%

[1]Intervening years show some fluctuations in both directions. [2]Forecasts.

Iraq, however, is already bumping into high debt ceilings as a result of war-related oil losses. Its foreign debt is more than $40 billion, mostly payable to Saudi Arabia and the Gulf Sheikdoms. It has become a better customer for American products largely because of U.S. "blended credit" programs. Arab banks lend money to Iraq, payable in 3 years, to buy U.S. farm products under the credit programs of USDA's Foreign Agricultural Service. The U.S. government guarantees the loan.

Creditors are confident of Iraq's ability to repay its loans because of its vast oil reserves—second only to Saudi Arabia among the OPEC nations.

Smaller American Share

Large as its U.S. purchases are, Iraq is buying even greater amounts from European Community (EC) countries. The EC will sell about $1 billion in farm products to Iraq in 1983, accounting for 31 percent of Iraq's total farm imports. These purchases, too, are increasingly financed by credit, in this case provided by the EC countries themselves. The smaller American share of the Iraqi market results from fewer sales of so-called "high-value" products, such as fruits, vegetables, poultry, and processed foods.

In spite of the advantages held by some of our competitors, Iraq is expected to continue its surge of U.S. buying. Its imports of U.S. farm products may reach about $500 million in 1984 and build to $1 billion by the end of the 1980's, according to Parker's projections.

What about Iran? Will it come back to buy big from the United States? That's a question no one can answer right now. □

[Based on information provided by economist John B. Parker of the International Economics Division, Economic Research Service.]

The Fats and Oils Diet

"Americans eat less beef and more chicken, fewer eggs, and more fruits and vegetables than they did a decade ago. Fiber is in, and cholesterol is out. Nevertheless, fats and oils still make up about 40 percent of the calories consumed by Americans."

This observation, by economist Jorge Hazera of the Economic Research Service, is not an indictment of American eating habits. That's a subject for health professionals and nutritionists, who may question whether the U.S. average of 135 pounds of fats and oils per person per year isn't a bit excessive. However, Hazera is quick to point out that—whatever the ideal level—fats and oils are an essential part of the human diet.

"Fats provide the most concentrated source of energy of any food," he says. "They conserve proteins that are necessary for growth, serve as carriers of fat-soluble vitamins, improve the body's absorption of vitamins, and make many foods more palatable."

Fats and oils enter the menu in various ways, some more obvious than others. Analysts divide the dietary sources of fats and oils into two categories: visible and invisible.

Visible Fats Often Unseen

The "visible" fats and oils are isolated from animal products or oilseeds and other vegetable products. Examples are tallow, lard, and butter from animals, and soybean oil, cottonseed oil, corn oil, peanut oil, palm oil, olive oil, and sunflower oil.

These fats and oils are used in the bakery and processed foods industries, and they're used in the home in such forms as shortening, margarine, butter, and cooking and salad oils. They are visible only in the sense that they're consumed separately or added as separate ingredients in the preparation of other food products. The extent of their presence may not be immediately apparent to the consumer who purchases a loaf of bread and a great many other prepared foods.

Although Americans haven't shown any signs of giving up their visible fats and oils, they have made a significant switch, Hazera notes. Animal fats accounted for about two-thirds of visible fats and oils consumption back in 1940, less than half the total in the early 1960's, and 30 percent of the 1971 total.

The latest data indicate that only about 20 percent of visible fats in the diet now come from animals. The rest is of vegetable origin, according to Hazera. Soybeans are the single major source of visible food fats and oils, followed at some distance by butter, tallow, lard, cottonseed oil, and corn oil.

The Other 60 Percent

"Invisible" fats are consumed through dairy products other than butter and as part of meats and vegetables. They account for roughly 60 percent of total fats and oils consumption.

"The invisible fat content of dairy products is around 5 percent," Hazera says. "Dairy products, excluding butter, account for roughly 15 pounds of fat content per year in the average diet. The fat content in meat, poultry, and fish combined is about 20 percent. These foods account for about 47 pounds of fat per person per year."

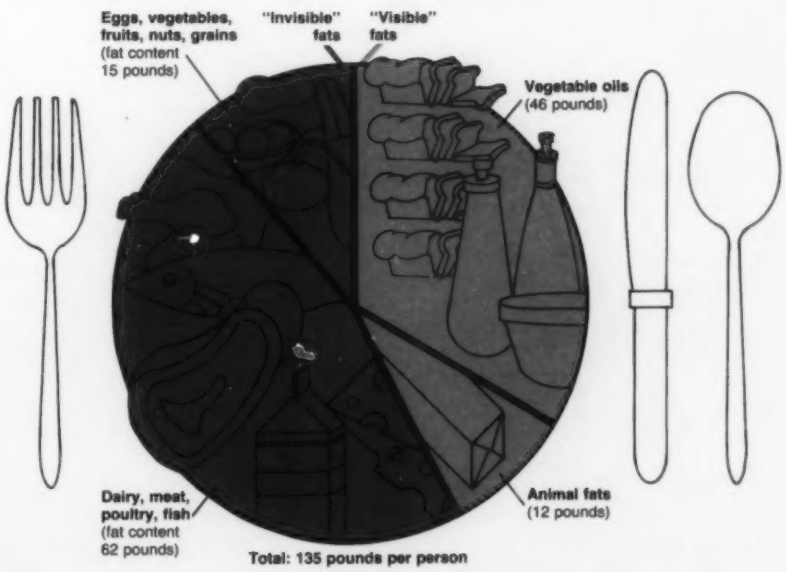
The remaining 15 pounds of invisible fat comes from foods like eggs, fruits, and vegetables, he adds.

Per capita consumption of invisible fats and oils has remained in the range of 75-80 pounds for the last decade. □

[Based on information provided by Jorge Hazera of the National Economics Division, Economic Research Service.]

The Fats and Oils Diet

Average per capita consumption, 1981:



Breaking Tradition: New Profile of the Unemployed

The gender gap in U.S. jobless rates may be closing, according to economist Sigurd Nilsen of USDA's Economic Research Service.

Traditionally, women have faced a higher unemployment rate than men. This pattern, however, was abruptly broken in 1982, Nilsen says. Last year, unemployment rates in the civilian labor force averaged 9.9 percent for men and 9.4 percent for women.

This was the first time since 1947 that the U.S. annual rate for women was below the rate for men. During the last three decades, it has happened only in a few isolated months.

The unusual turnabout was not confined to metropolitan or nonmetropolitan areas. Both areas registered a lower female rate in 1982, breaking a record that goes back to 1973 when separate metro-nonmetro data first became available.

A New Trend?

"From the evidence that's available, it would be a mistake to assume that a new, long-term trend of lower unemployment among women has emerged," Nilsen says. "On the other hand, there are some strong indications that male-female rates will be more nearly equal than they have been in the past."

One obvious reason for caution can be found in the statistics themselves. "It's not that the women's rate of unemployment went down in 1982, but that the men's rate went up so sharply," Nilsen notes. The economic recession, which began in 1980, has affected both men and women, but unemployment rates among men have registered the far greater increase.

This raises the question of whether the apparent gender shift in unemployment rates is only a temporary phenomenon brought on by recession. If that were true, then the traditional pattern of significantly higher female rates might be expected to return as economic recovery generates new jobs. This is not what Nilsen anticipates.

"The reversal in male-female unemployment rates is not purely recessional, and it did not occur during previous recessions," he says. For example, in 1975, the peak year of the 1974-75 recession, unemployment rates averaged 9.3 percent for women and 7.9 percent for men. No reversal there.

When the latest recession began, it would have been logical to expect, based on historical precedent, that the unemployment rates for women would remain higher than the rates for men. The reasons this didn't happen have much to do with the changing structure of the U.S. economy and the labor force that keeps it running.

Fundamental Changes

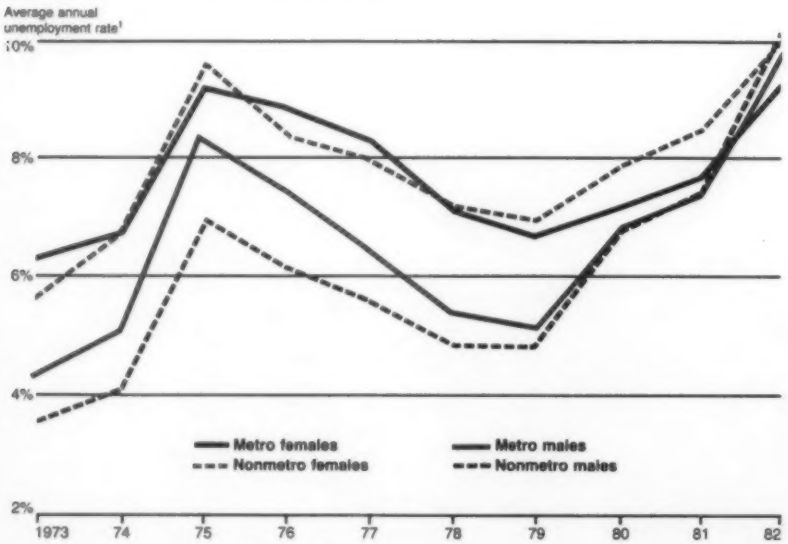
"There have been some fundamental changes in the labor force and the economy that tend to benefit women more than men," Nilsen explains. One of the structural changes is the shift away from basic manufacturing industries to a more service-oriented economy. The U.S. economy and employment continue to shift into the high-growth, low-unemployment service industries, such as retailing, food services, communications, health care, finance, and real estate.

A greater proportion of men's jobs are in manufacturing, while the service industries employ more women. During 1982, manufacturing industries showed a 14-percent unemployment rate, while service industries showed only an 8-percent rate.

"The number of women in the labor force grew by 30 percent between 1975 and 1982, and the number of unemployed women grew by a nearly equivalent percentage," Nilsen reports. "Meanwhile, the number of men in the labor force increased about 12 percent, but the number of unemployed men grew by 41 percent."

According to Nilsen, the largest single

Closing the Gaps in Unemployment Rates



[1]Based on the Current Population Survey definition of 1971.

Courtesy of the Employment and Training Administration, U.S. Department of Labor

contributor to rising female unemployment was the increased numbers of women entering the labor force. For men, the largest factor was job cutbacks in particular industries, such as autos and steel, where male workers are more heavily concentrated.

What will happen as economic recovery progresses? Both male and female unemployment rates will drop, but Nilsen concludes that the difference between the two rates will probably remain smaller than in the past because of the changed structure of the economy and the labor force.

Lifestyle changes also favor a closer convergence of the male and female rates, he says. "Women in their prime child bearing and raising years no longer withdraw from the labor force to the extent that they did in the past."

Thus, they are less likely to lose seniority or interrupt their career progress. Add this to the breakdown of employment barriers, and they are in a better position than ever to compete for job vacancies and stay off the unemployment rolls.

Last year, more than half of American women—nearly 53 percent—were in the labor force. Of every 100 workers in the labor force, 43 were women. □

[*Based on information provided by economist Sigurd Nilsen of the Economic Development Division, Economic Research Service.*]

Closing the Metro-Nonmetro Gap

Another unemployment "tradition" was recently broken. The nonmetro unemployment rate climbed above the metro rate.

This is not all that unusual for the female side of the labor force, at least since the early 1970's. The nonmetro unemployment rate for women was higher than the metro women's rate in 6 of the last 10 years.

Among men, however, the nonmetro unemployment rate was lower than the metro rate in 8 of the last 10 years—the reversals coming in 1981 and 1982. When male and female statistics are combined, nonmetro areas show consistently lower unemployment rates until the 1980-82 period.

Although the recession influenced these statistics, the circumstances here also suggest that a new pattern may be emerging.

Closer economic links between urban and rural areas, the shrinking role of agriculture as a major source of income in many rural areas, and the rapid growth of nonmetro service industries are binding the prosperity of rural America ever more directly to trends in the overall economy.

But why has nonmetro unemployment jumped ahead of metro unemployment?

One reason is probably the sharp expansion in the nonfarm rural labor force, particularly among women. Since 1973, three out of every five new jobs in nonmetro areas were taken by women. More rural women than ever are either working or looking for work. Although the same might be said of metro women, job growth has more closely matched labor force growth in metro areas.

Also, a larger percentage of jobs in metro areas are in recession-resistant service industries, as opposed to manufacturing, mining, and agriculture. As a result, the recession left a greater proportion of nonmetro jobseekers, both men and women, out in the cold.

Even the struggling agricultural sector is having an impact as many rural businesses serving agriculture have been forced to lay off workers.

Last year, unemployment among nonmetro men was slightly higher than the rate among metro men—10.1 percent to 9.8 percent. The difference was much greater among women — 10.0 percent unemployment among nonmetro women compared with 9.2 percent among metro women. Combining the male-female rates, nonmetro areas registered a 10.1-percent unemployment level versus 9.5 percent in metro areas.

"Nonmetro unemployment rates for both men and women are likely to drop along with metro rates as the economy recovers," says economist Nilsen. "However, it is unclear whether nonmetro rates will return to their traditional position below metro rates. Whatever the case, the gap is not likely to be as wide as it typically has been in the past."

Hungry Nations in a World of Plenty

Despite record world food supplies in 1983, many of the world's poorest countries face a "food deficit"—unable to produce or purchase enough food to meet minimum needs.

That's the finding of USDA agricultural experts who must try to anticipate the food aid needs of the Third World.

"For the new 1983/84 crop year, moderate to severe levels of need will continue in most low-income countries," says economist Kevin Lanagan, who recently directed an Economic Research Service (ERS) study on world food conditions. "Food aid needs will be greater than in 1982/83."

Simply to keep pace with their expanding populations and shrinking purchasing power, at least 50 poor nations need assistance in obtaining a total of 12.4 million tons of cereal grains, a half million more than last year. Without it, they won't be able to match their low per capita consumption levels of 1982/83, says Lanagan. Cereal grains (including wheat, rice, and corn) comprise the bulk of total food aid.

Some nations suffering chronic shortages will have particularly acute food aid needs in 1983/84. Bangladesh and Vietnam could need over 1 million tons of cereals each to maintain consumption levels. Bolivia and Peru combined could require as much as 900,000 tons. El Salvador may need nearly 140,000 tons, and Haiti more than 90,000 tons.

Sub-Saharan Africa continues, as in years past, to be the region of crisis among the needy nations. Ghana may need more than 150,000 tons of cereal grain food aid in 1983/84 to maintain consumption levels. Kenya and Sudan may each need more than 200,000 tons. Others facing shortages are Chad, Lesotho, Mauritania, Mozambique, Somalia, and Swaziland. Egypt also continues to receive substantial food aid in support of economic development.

"The people of Ghana can't eat cocoa."

Shrinking Treasuries, Growing Debts

Ghana, while not one of the largest food aid recipients, provides a look at a troubling trend in the food deficit nations—growing debt obligations, reduced foreign exchange reserves, and the attendant inability to buy an adequate amount of food for its citizens. A cocoa-exporting nation, Ghana has seen this major crop suffer price declines during the worldwide recession.

"The people of Ghana can't eat cocoa," says economist Lanagan. "It has to be exported to earn money to buy food. But prices have dropped, earnings have dropped, and Ghana has less money."

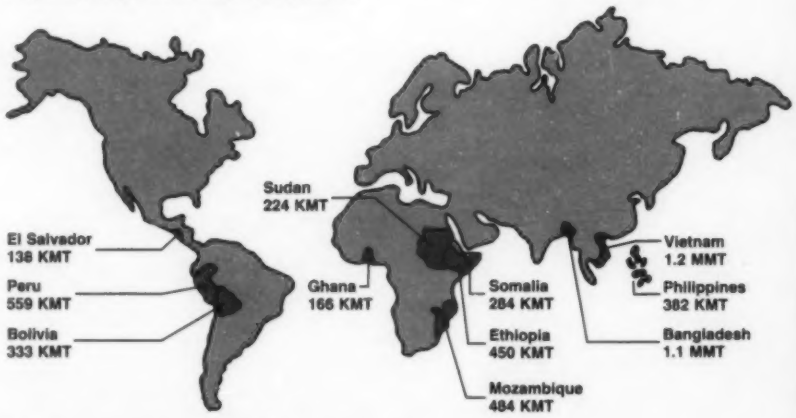
The financial situation for many countries has worsened since last year, he adds. "There's definitely a decreasing ability to pay for foods that are normally imported. World stocks of food are the highest on record, but these large supplies aren't purchasable by poor nations."

To buy food on the world market, many countries have gone into debt, another trend Lanagan finds troubling. "Countries have maintained current consumption standards by borrowing," he says. "Then they have to pay all that interest, and they end up without enough money to buy food so they have to borrow more. They get further and further behind."

The growing debt-service bill (payments on debt principal and interest) of the low-income developing countries came to an estimated $20.5 billion at the end of 1982. That represented more than a

Food Aid Needs Are Distributed Throughout Africa, Asia, and Latin America

Projected 1983/84 needs for selected countries:[1]



KMT = Thousand metric tons MMT = Million metric tons

[1]Projected cereal grains needed to maintain status quo consumption levels. Raising diets to nutritionally acceptable levels would require significantly larger quantities of food aid.

fourth of their total export earnings last year. At the same time, their currency reserves were estimated at slightly less than $24 billion at the close of 1982—dangerously near the amount needed for debt servicing alone.

So, in 1983, a year of ample world food stocks—on paper at least—there is still serious scarcity in many countries.

Filling the Gap

What are the prospects for meeting these food aid needs?

U.S. food aid under P.L. 480, also known as the "Food for Peace" program, now reaches around 70 countries. These efforts cost about $1.5 billion and provided an estimated 6.5-7 million tons in total assistance in fiscal 1983. In fiscal 1984, which began in October, levels of assistance may rise slightly.

The United States is also providing stocks of butter, cheese, and nonfat dry milk to nations in need through USDA's Commodity Credit Corporation (CCC). In one recent action, 22 million pounds of nonfat dry milk were provided to Catholic Relief Services for distribution to poor residents of Guatemala. Through mid-August, this year's CCC donations totaled more than 83,000 tons of dairy products to poor nations.

Although the United States is the world's major food donor, the breadbaskets of other countries have begun to open wider. European Community nations, Japan, Canada, and Australia have all added significantly to the flow of either surplus or specially prepared and purchased foods to the developing world. Japan, for example, more than doubled its food assistance in the last decade, donating about $100 million worth of foodstuffs in 1982.

The United Nations also plays a central role in providing both direct aid and coordinating the flow of food aid from donor countries. In 1982, the UN World Food Programme shipped over 1.4 million tons to food-deficit nations and spent an additional $190 million on food assistance for 68 emergency operations in 37 countries. Another $536 million went to poor countries for social and economic development projects—more than half of which was spent specifically on agricultural and rural development.

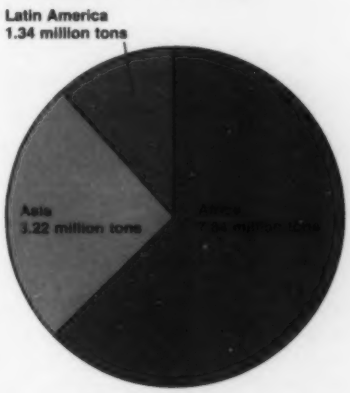
Active in this area as well, the United States has agreed to provide $250 million to the World Food Programme for 1983/84—a 14-percent increase over its previous pledge.

However, even when all these efforts are considered, they almost certainly won't be enough to ward off hunger, malnutrition, and even starvation in some parts of the world. Millions of people live on the edge of subsistence, and just a slight drop in per capita consumption translates into starvation.

Larger quantities of food assistance would not always provide a solution.

Africa: The Area of Greatest Need

Projected 1983/84 food aid needs:



Total: 12.4 million tons

Africa is a case in point. Not only is much of the area suffering from extended drought and hunger, but simply getting food to the hungry presents a problem. Ethiopia, for example, has no rail system in its northern hinterlands where the drought and famine have been most severe. Lack of roads makes it even more difficult to get food aid to widely scattered rural people. The United States, along with other countries, is providing trucks to Ethiopia to distribute food assistance where roads are available.

Looking Further Ahead

Ultimately, the solution may depend upon the ability of food-deficit nations to improve their own situation using their resources and the long-term technical assistance available from more developed countries. In the meantime, they will continue to face food shortages, although every year is not likely to be as bad as 1983/84 now appears.

In fact, ERS economists project a modest improvement in the world food situation in 1984/85.

"Some reduction is expected in the amount of food aid needed for low-income countries in 1984/85," Lanagan says. "The major reason is a forecast improvement in the ability of these countries to purchase food."

*For a copy of the ERS report, **World Food Aid Needs and Availabilities**, write to Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402. Enclose a check or money order for $5.50 and ask for the report by title and stock number: SN001-000-04360-9.*

Cereal food aid needs are forecast at 11.2 million tons for 1984/85, nearly 10 percent below the anticipated 1983/84 level.

"As the economies in developed countries recover from recession, their demand for raw materials should provide a welcome boost in export earnings and foreign exchange reserves for low-income countries," Lanagan says. "This would pave the way for low-income countries to import more food on a commercial basis." □

[Based on information provided by economist Kevin Lanagan, formerly with the International Economics Division, Economic Research Service.]

The Largest Donor

The measurements of food needs forecast by ERS economists are particularly useful to U.S. officials who must target our food aid. Since the end of World War II, the United States has given more than $40 billion in food aid to needy nations.

Recent recipients of emergency food aid from the United States have included Somalian refugees and drought victims in Ethiopia, Chad, Bolivia, and Peru.

Other U.S. efforts under P.L. 480 are aimed at building the capacity of a country to develop its economic base and create more efficient agricultural production and distribution systems. Long-term, low-interest loans help countries buy food and allow them to use their limited export earnings to purchase other imports required for development.

Moreover, countries are able to use the receipts from local sales of U.S.-donated commodities to finance self-help efforts that boost farm production, improve infrastructure, or raise the quality of rural life through nutrition, health, and family planning programs. Local sales can also help increase production and employment among the country's poor.

Food for Peace efforts also include:

- Technical assistance in projects that reach 76 countries. Generally carried out in conjunction with the U.S. Agency for International Development, the projects are aimed at overcoming some of the structural problems of food production in poor and developing countries.
- Cooperative research projects overseas—240 of them—working to combat crop disease and increase food production. And, working with international development organizations, the United States has provided technical training to more than 70,000 agriculturalists from developing countries since the early 1950's.
- Formal agreements with more than 30 countries to exchange scientific and technical information on agricultural matters.

The United States currently is considering several ways to improve the delivery and utility of its food aid. One idea is to provide multiyear funding of U.S. food aid to help recipient countries plan the distribution of food and develop stronger food reserve systems.

Another idea is to encourage the use of local currencies, generated by sales of P.L. 480 commodities, to build storage handling facilities for grain. This would make it easier for developing countries to distribute food more evenly throughout the year.

REPORTS IN THE NEWS

Farmer-Feeders: A Dwindling Species

Farmers once accounted for all of the grain-fed beef cattle produced in the United States. Now, farm feedlots produce little more than a fourth of the fed cattle, and a few hundred large commercial feedlots produce the rest.

Between 1964 and 1980, fed cattle production increased by one-third, but:

- The number of individual farmers feeding cattle fell from 218,000 to only 111,000. The number of commercial feedlots increased, and the average size of both farmer and commercial feedlots grew.
- Sales of fed cattle by farm feedlots dropped from 10.6 million head a year to 6.4 million. Meanwhile, sales by commercial feedlots rose from 6.7 million head to 16.8 million. The result: Commercial feedlots accounted for more than 70 percent of sales in 1980, up from less than 40 percent in 1964.

The trend to fewer but larger farmer feedlots and increased commercial cattle feeding is likely to continue, according to USDA economists Roy Van Arsdall and Kenneth E. Nelson. They explain that commercial feedlot operators can often make more efficient use of capital, labor, and marketing strategies, giving them lower fixed costs per animal. Larger, more specialized farmer feedlots can capture some of these advantages.

Most of the farmer cattle feeders operate general crop-livestock farms in the North Central region. However, farmer cattle feeding is edging westward to the western Corn Belt, western Iowa, and the eastern sections of Nebraska and Kansas. The shift is prompted largely by lower cost feeds and a drier climate that reduces the need for shelter and paved lots.

Van Arsdall and Nelson examine the trends in U.S. cattle feeding, with the focus on farm operations—their makeup, production and marketing practices, resources, and costs of production. Information was largely from a survey of farmer cattle feeders in Illinois, Iowa, Minnesota, Kansas, and Nebraska.

Characteristics of Farmer Cattle Feeding *by Roy Van Arsdall and Kenneth E. Nelson. (Published August 1983; 41 pages of text, tables, and charts; GPO Stock No. 001-000-04361-7; $3.75.)*

Missing the Boat on High-Value Exports

In a world market shifting toward trade in processed products, U.S. agricultural exports remain heavily concentrated in raw materials.

Most U.S. agricultural exports are unprocessed products sold in bulk, such as grains, while many other exporters are specializing in higher value products, processed and unprocessed. Since 1970, these high-value products (HVP's) have accounted for more than half the growth in the value of world agricultural trade. By 1980, HVP's accounted for about 53 percent of world agricultural trade value.

From 1970 to 1980, the U.S. share of world farm trade volume rose from about 25 percent to 40 percent. However, our share of trade value increased fractionally to only 18 percent.

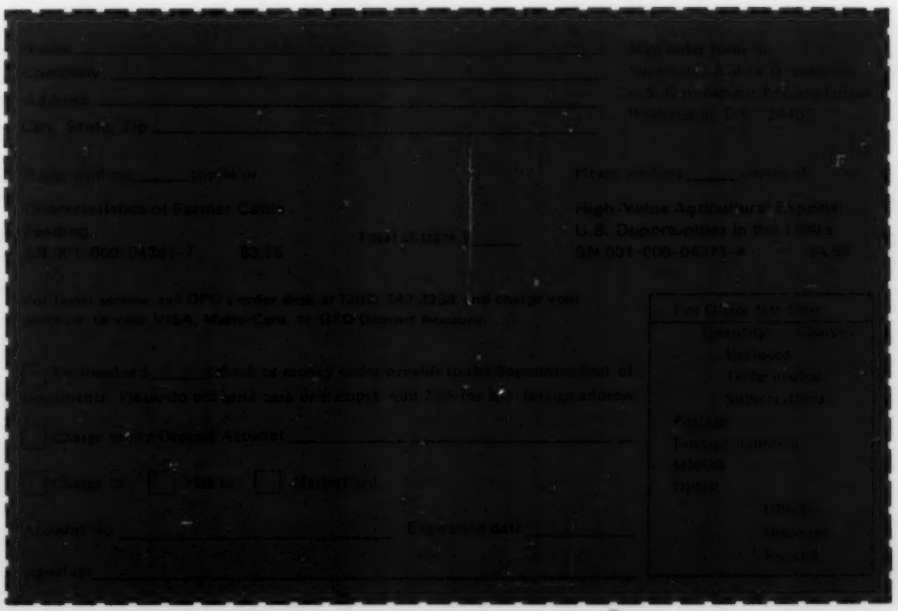
Many of the other exporters specializing in HPV's experienced the opposite—expansion in their value share of trade but little or no growth in their volume share. This reflected their success in capturing much of the market worldwide for high-priced processed and semi-processed products.

The European Community, the world's largest and fastest growing exporter of HVP's, enjoyed an HVP growth rate of more than 20 percent per year, with HVP exports to non-EC customers reaching $20 billion by 1980.

"To expand the U.S. share of world HVP trade, we'll have to become much more aggressive marketers," says USDA economist Patrick O'Brien. U.S. government support for HVP trade liberalization in general and HVP export promotion will also be important. "With some redirection and additional funding, our existing trade programs could be used effectively to increase the U.S. share of the world HVP market from 10 to possibly 15 percent," O'Brien says.

This report examines the structure of the HVP market and opportunities for increasing U.S. high-value exports.

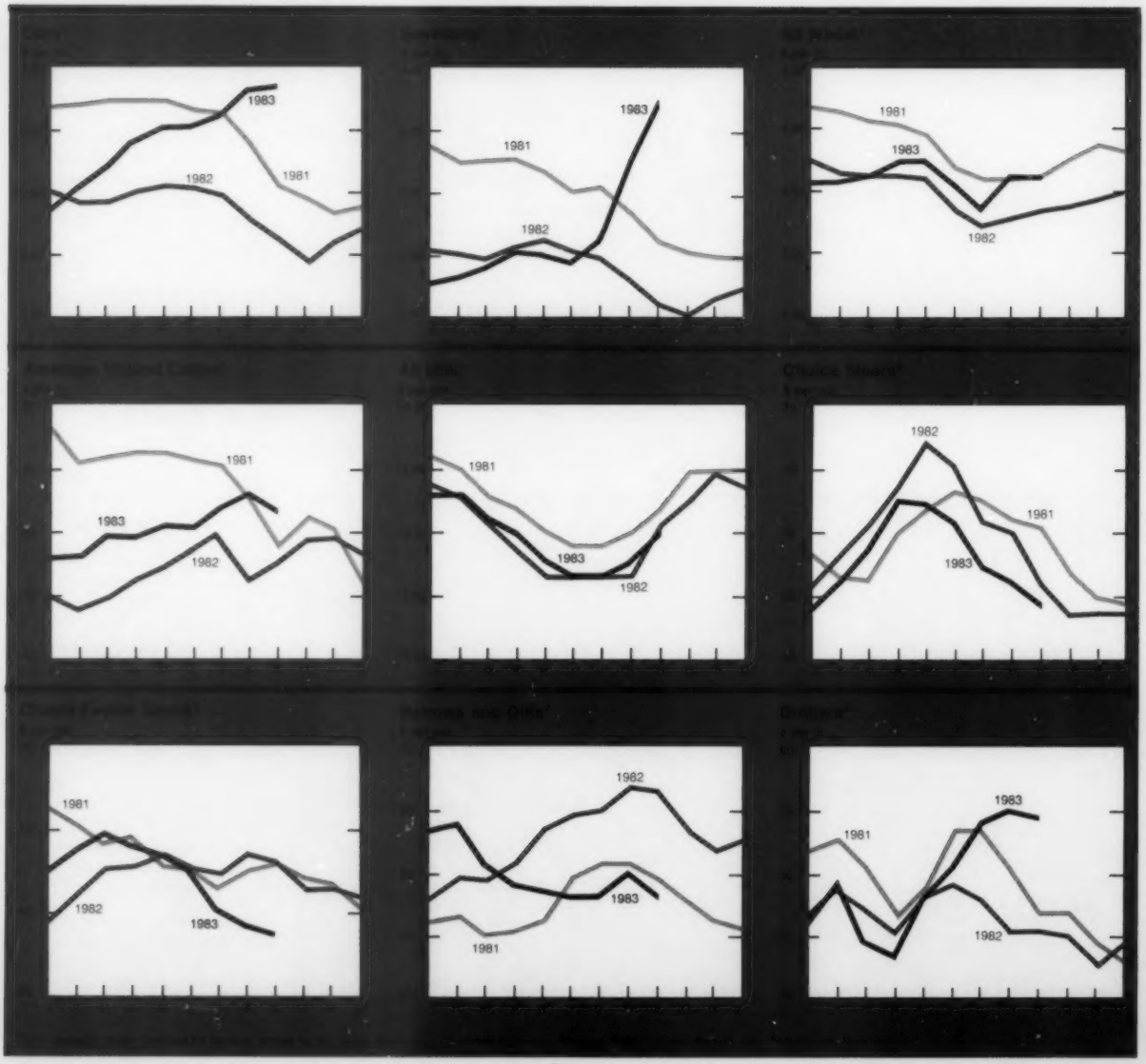
High-Value Agricultural Exports: U.S. Opportunities in the 1980's *by Patrick O'Brien and others. (Published September 1983; 78 pages of text, tables, and charts; GPO Stock No. 001-000-04371-4; $4.50.)*



FARMLINE TRENDS

Monthly Price Monitor

USDA's index of farm prices fell 1.4% in September after a sharp rise in August. Corn and wheat prices held fairly steady, while cotton lost a few cents a pound. Soybean prices, however, jumped nearly a dollar per bushel to the highest level since August 1973. Milk prices rose for the second month in a row. Among livestock, Omaha choice steers declined more than $2 per cwt, and Kansas City feeder steers were down $1. Barrows and gilts, which topped $50 per cwt in August, slid to $46.38. Broiler prices dipped a half-cent per pound.



Top Farm States

		1st	2nd	3rd	4th	5th	6th	7th	8th
Number of farms, June 1983 (U.S. total: 2.4 million)	farms	Texas 164,000	Missouri 117,000	Iowa 115,000	Kentucky* 103,000	Minnesota* 103,000	Illinois 101,000	Tennessee 85,000	Ohio 82,000
Land in farms, June 1983 (U.S. total: 1.04 billion)	million acres	Texas 138.3	Montana 62.1	Kansas 48.5	Nebraska 47.8	New Mexico 47.0	South Dakota 44.5	North Dakota 41.7	Arizona 36.2
Average farm size, June 1983 (U.S. average: 437 acres)	acres	Arizona 5,507	Wyoming 3,937	New Mexico 3,481	Alaska 3,422	Nevada 3,298	Montana 2,548	Colorado 1,411	South Dakota 1,219
Acres planted to principal crops, 1982 (U.S. total: 363 million)	million acres	Iowa 26.0	Texas 25.5	Illinois 24.2	North Dakota 23.3	Kansas 23.0	Minnesota 22.2	Nebraska 19.2	South Dakota 16.6
Number of cattle and calves on farms, January 1983 (U.S. total: 115 million)	million head	Texas 15.0	Nebraska 7.2	Iowa 6.5	Kansas 5.8	Missouri 5.5	Oklahoma 5.2	California 4.9	Wisconsin 4.4
Number of hogs and pigs on farms, June 1983 (U.S. total: 57 million)	million hogs	Iowa 15.2	Illinois 8.0	Indiana 4.6	Minnesota 4.5	Nebraska 4.0	Missouri 3.8	North Carolina 2.2	Ohio 1.8
Cash receipts from crop marketings, 1982** (U.S. total: $74.4 billion)	billion dollars	California 9.94	Illinois 5.08	Iowa 4.33	Texas 4.26	Florida 3.31	Minnesota 3.13	Nebraska 2.86	Indiana 2.82
Cash receipts from livestock marketings, 1982 (U.S. total: $70.2 billion)	billion dollars	Iowa 6.01	Texas 5.43	California 4.38	Nebraska 4.23	Wisconsin 4.10	Minnesota 3.54	Kansas 3.32	Illinois 3.27
Average cash receipts per farm, 1982** (U.S. average: $60,220)	dollars	Arizona 230,192	California 179,018	Delaware 118,993	Colorado 118,429	Nebraska 112,480	Hawaii 110,031	Florida 103,665	Iowa 89,405
Government payments, 1982 (U.S. total: $3.5 billion)	million dollars	Texas 344	Kansas 280	Nebraska 277	Iowa 216	North Dakota 200	Minnesota 193	California 136	Oklahoma 133
Farm production expenses, 1982 (U.S. total: $140 billion)	billion dollars	California 11.98	Texas 10.19	Iowa 10.06	Illinois 7.59	Nebraska 6.74	Minnesota 6.34	Kansas 5.71	Wisconsin 4.72
Net farm income after inventory adjustment, 1982 (U.S. total: $22.1 billion)	dollars	California 3.01 billion	Florida 1.39 billion	Iowa 1.17 billion	Wisconsin 1.16 billion	Minnesota 1.09 billion	Illinois 1.01 billion	North Carolina 970 million	Kentucky 890 million

*Minnesota and Kentucky are tied. **Includes net CCC loans.

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